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SUBJECT: ARMENIA'S RUST BELT PINS HOPES ON BORDER OPENING

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Classified By: AMB Marie L. Yovanovitch, reasons 1.4 (b,d).

SUMMARY

1. (U) During the Ambassador's December 16 visit to Gyumri, capital of the economically depressed Shirak region, interlocutors expressed unanimous support for Armenia reestablishing relations with Turkey and opening the nearby border. Gyumri's population sees a possible trade opening with Turkey as one of the few potential bright spots in an otherwise bleak economic landscape. While it has yet to have a broad impact on Armenia, the global economic crisis threatens to aggravate the already massive unemployment and poverty in Gyumri, a city that has yet to fully recover from a devastating 1988 earthquake. End summary.

OPEN ARMS TO TURKEY

2. (U) Neither historical grievances nor fears of economic competition seemed to dampen the enthusiasm of those in Gyumri toward the possible opening of the Turkish border, closed by Turkey in 1993 during Armenia's war with Turkic neighbor Azerbaijan over the Nagorno-Karabakh region. The currently closed rail line between Gyumri and the city of Kars in eastern Turkey is the two countries' only rail link, meaning that Gyumri, less than ten kilometers from the border, could expect to become Armenia's main hub for cross-border freight traffic if relations are normalized.

3. (U) At a roundtable with the Ambassador, civil society leaders were unanimous in wanting the border open as soon as possible. Some of the NGOs were internationally-oriented and might be expected to support rapprochement under almost any circumstances, but even groups focused on the promotion of local SMEs and the preservation of cultural property were gung ho for the opening. They understood that direct trade with Turkey might threaten some local industries, because Turkish goods now trucked in via Georgia would suddenly be available in Armenia at lower cost. Still, they saw an open border and peace with Turkey as a large net gain for their region.

4. (U) When the Ambassador recounted how political leaders in Yerevan warned that the Armenian people might oppose immediate restoration of bilateral relations, the civil society leaders dismissed the politicians' views as being behind the curve. The head of an NGO that promotes joint marketing of agricultural products such as cheese and wine by Caucasian countries and Turkey said civil society was "setting the table" so that the governments could eventually "sit down and eat." The NGO reps also noted that the closed border hurts Gyumri more than it does Yerevan; the capital has direct charter flights to Istanbul, but the closed land border blocks Gyumri residents from interaction with Turkish neighbors only a few kilometers away.

15. (C) Lida Nanian, the presidentially-appointed governor of the Shirak region, was almost plaintive in her wish for the two governments to make a breakthrough on the border opening. She lauded President Sargsian's invitation to his Turkish counterpart to attend a World Cup soccer match in Yerevan in September, and said Turks and Armenians must grasp the current opportunity to start working together again "as we did for centuries," adding "life is short." The Ambassador urged both the civil society leaders and Governor Nanian to let Armenia's political leadership hear their strong desire for an open border.

ECONOMY STILL IN RUINS

16. (U) The Ambassador's meetings came less than two weeks after a previous visit to Gyumri to commemorate the December 1988 earthquake that killed an estimated 25,000 and left half a million homeless in Gyumri and nearby northern regions. The natural disaster was followed by the 1991 breakup of the Soviet Union, Armenia's 1992-1994 war with Azerbaijan over Nagorno-Karabakh, and the crippling loss of energy supplies that accompanied the war. These misfortunes ravaged Gyumri's, and the larger Shirak region's, economies in spite of the presence of Gyumri's Soviet-era manufacturing base. Gyumri has never fully recovered, and current unofficial estimates of unemployment range from 60 to over 70 percent. Although it is Armenia's second most populous city, Gyumri seems a shabby shadow of booming Yerevan. Many residents survive on remittances from relatives working in Russia or elsewhere abroad, a stream of income that is already slowing in tandem with the global economy. The Peace Corps volunteers working in Shirak unanimously summed up the province's biggest problem as "jobs." One went so far as to say that if remittances dry up, "You'll see dead bodies on the street. The locals can't live without remittances."

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17. (U) Compounding Gyumri's lack of jobs, capital, technology and markets, the population appears shackled by limited horizons and a dearth of entrepreneurship. Low internet penetration and lack of opportunities to travel leave residents poorly informed about outside developments. Peace Corps volunteers recounted that some of the students enrolled in computer training classes didn't see any value in learning English, and that among the few jobs available in Gyumri, positions in restaurants and hotels were hard to fill because such work was considered to be unprestigious and tainted by a supposed association with prostitution.

18. (C) Governor Nanian lamented Shirak's already dismal economic situation and the likelihood that, given economic trends in Russia and elsewhere, many residents will no longer have overseas jobs to return to after the end-of-year holidays. She mentioned one or two ideas for the region's economic development, such as storage facilities that would allow local farmers to ship their harvests at optimal times to Russia, where she said Armenian produce commands a premium based on its reputation for quality and purity. However, she offered no strategic vision for dealing with current and looming problems, and appeared resigned to the fact that conditions are likely to worsen. Nanian seemed to be passively awaiting a solution from Yerevan, but was also surprisingly candid in her criticism of the government strategy of expanding loans for SMEs.

BIOGRAPHIC NOTE

19. (C) Governor Nanian was born in Azerbaijan in 1948 and spent over 20 years in various finance and tax-related jobs in Gyumri, including as head of the Shirak regional branch of the State Taxation Service, before former president Kocharian appointed her governor. Though open and very cordial, she does not give the impression of being a serious player in Armenian politics. She appears to be a talented organizer and administrator, but not a leader of great confidence or

vision.
YOVANOVITCH